Nova Scotia

ANNUAL REPORT

for the fiscal year
ending March 31, 2000

Nova Scotia Farm Loan Board

102-05857/

Her Honour
The Honourable Myra Freeman
Lieutenant-Governor of the
Province of Nova Scotia

May It Please Your Honour,

I have the honour to submit the Annual Report of the Nova Scotia Farm Loan Board for the fiscal year ending March 31, 2000.

Respectfully submitted,

Ernest L Fage

Ernest L. Fage
Department of Agriculture
and Fisheries

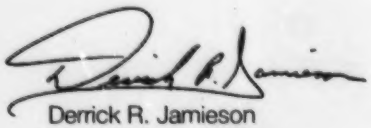
The Honourable Ernest L. Fage
Minister of Agriculture and Fisheries
Province of Nova Scotia
Halifax, Nova Scotia

Sir:

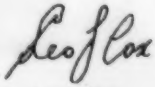
On behalf of the Nova Scotia Farm Loan Board, we have the honour of presenting the 68th Annual Report of the Nova Scotia Farm Loan Board covering the fiscal year ending March 31, 2000.

As required by Section 12 of the Agriculture and Rural Credit Act, 1989, this report contains a summary of Board activities and the audited financial statements.

Yours truly,



Derrick R. Jamieson
Chief Executive Officer



Leo Cox
Chairman

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THE NOVA SCOTIA FARM LOAN BOARD

Board Members

Chairman	Theodore Ueffing Effective to September 14, 1999
Chairman	Leo Cox Effective from January 1, 2000
Vice-Chairman	Donald Sproule
Member	Carol Versteeg
Member	Marlene MacMillan Effective to November 14, 1999
Member	Rita Mitchell Effective to March 31, 2000
Member	Victor Moses Effective from January 1, 2000

Principal Officers

Chief Executive Officer	Derrick Jamieson, P.Ag.
Solicitor to Board	Attorney General
Auditor	Auditor General

Truro Office

Manager, Accounting/Administration	Philip Green, CMA
Credit Supervisor	Jim Houghton, P.Ag.
Acting Senior Loan Officer	Maria McCurdy, P.Ag.
Loan Officer	John Murray, P. Ag.
Loan Officer	Edith Doyle
Loss Provision Manager	Wayne MacLeod
Information Co-Ordinator	Sherry Canton
Legal Secretary	Karen Murdock
Secretary	Susan Vergie
Secretary	Colleen Flemming
Secretary	Carolyn MacAulay
Receptionist	Carol Elliott
Senior Accounting Clerk	Susan Archibald
Accounting Clerk	Nancy Hillman

Kentville Office

Senior Loan Officer	Robb MacMillan
Loan Officer	John Molenhuis, AIT
Secretary	Donna Lombard
Casual Secretary	Barb Spicer

CHIEF EXECUTIVE OFFICER'S REPORT

The Nova Scotia Farm Loan Board promotes, encourages, and supports agricultural and rural business development through the provision of long-term loans at fixed interest rates and financial counselling services. The Board is a corporation of the Crown and is an integral part of the Nova Scotia Department of Agriculture and Marketing (department name changed October 2000 to Agriculture and Fisheries). The Board also provides assistance to the Department of Natural Resources and other departments involved in rural Nova Scotia. Activities of the Board are consistent with the provincial government's objectives to stimulate economic growth and development, support the fundamentals of a strong society, and strengthen Nova Scotia's human capital for people and communities to grow.

The Board continues to assist in the delivery of programs that benefit rural areas. In particular, the Board is involved in the administration of a three-year relief package for weather-related losses and programs to attract and support new farmers.

Involvement in these initiatives allows the Board to capitalize on opportunities for economic growth in the agricultural sector including, but not limited to, new crop and livestock investments and new technologies including those in biotechnology, value-added activities, emerging and export markets, environmental improvements, and agri-tourism.

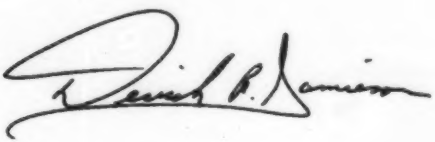
The following strategic goals for the Board will need to be constantly reviewed and updated to meet the needs of rural Nova Scotia:

- Focus on access to stable, cost-effective, long-term developmental credit.
- Identify and analyse growth opportunities in rural industries.
- Promote awareness and use of financially sound business principles.

Rural Nova Scotia will be in greater need of stable and available credit in the years ahead. Over the past five years, agricultural loans have increased by approximately $127 million, which represents a 10 per cent annual increase. Lending requirements will continue to increase as Nova Scotia agriculture continues to adopt new technologies and builds on market opportunities.

The Board will continue to use the investment capital available to provide partnership opportunities within the financial community. Financing the growth of rural Nova Scotia can best be accomplished through partnerships with other lenders. The boards have traditionally provided long-term financing at fixed, reasonable interest rates. The Board has effectively financed areas not traditionally covered by other lending agencies. Today, through its strategic goals, the Board will continue to create alliances with agricultural, forestry, and lending industries to provide the best available source of credit.

It has been a pleasure for me as Chief Executive Officer to work with knowledgeable and dedicated Board and staff during the fiscal year ending March 31, 2000. It is through this dedication and committment that the Board has continued to provide developmental long-term lending programs that have been cost-effective and have helped to create opportunities and have strengthened the rural fabric of the province.



Derrick R. Jamieson
Chief Executive Officer

BOARD OPERATION OVERVIEW

DIRECT LOANS

During its sixty-eighth year of operations, the Board met on nine occasions encompassing 15 days. One hundred and seventy-nine requests totalling $22,469,000 were processed for 1999–2000.

The Board approved 122 new loans totalling $14,183,000. Twenty-five clients requested that their loans with the Board be transferred to the new regulations. The Board also processed 32 requests totalling $6,114,000 from farmers to have their existing loans transferred to the new regulations along with obtaining additional funds.

In addition to its loan function to agriculture and owners of forest product mills, staff administered the Young Farmers Interest Forgiveness Program and the Land Purchase and Lease Program. Properties purchased under ARDA Project 22015 between 1965 and 1971 were a continuing responsibility of the Board and staff.

Applications for three loans in the amount of $321,000 were rejected because of the inability of the applicants to meet the requirements of the Board. Ten loan requests totalling $2,303,000 were approved by the Board and later cancelled by the borrower prior to completion.

The total loans in effect were 1,131 in 1999–2000. The Board's total loans increased by 43 in 1999–2000 from the previous year.

TIMBER LOANS

There were two loan requests in this category in the amount of $118,000 for 1999–2000. Eighteen Timber Loan category loans were outstanding in 1999–2000 totalling $1,664,000.

Staff of the Farm Loan Board is responsible for administrative detail with respect to receiving applications, preparing documents, disbursing loans, and maintaining loan records. Personnel of the Department of Natural Resources carry out loan appraisals, prepare reports and provide recommendations on timber loan requests. In addition, the Department of Natural Resources supervises requests to cut forest products from land held as security for loans and establishes stumpage rates for material removed.

FARM CONSOLIDATION AND LAND USE

In the period 1965 to 1970, under the terms and conditions of a joint Government of Canada–Province of Nova Scotia ARDA project, properties were purchased for leasing to enlarge commercial farm operations. The Board continues to administer properties under lease.

ARDA lease accounts at March 31, 2000 had a net outstanding balance of $52,000. Eleven lessees exercised their purchase option in 2000.

LAND PURCHASE AND LEASE

The Farm Loan Board, at the request of the Land Purchase and Lease Committee, carries out the administrative details in the leasing of these properties.

Sixteen lessees exercised their purchase option for a total cost of $557,000 in 2000. In total, 100 properties are currently held under the program. The outstanding balance on leased properties under this program at year end was $2,344,000.

ESTABLISHMENT OF YOUNG FARMERS PROGRAM

At March 31, 2000, this program was under review by government. A replacement New Entrants to Agriculture Program was under consideration.

LIFE INSURANCE

The Farm Loan Board administers a creditor group life insurance for farmers. The policy is held with the Clarica Life Insurance Company, formerly the Mutual Life Assurance Company of Canada. Total insurance in force at the end of 1999–2000 was $139,375,000.

ACCELERATED WEATHER-RELATED LOSS PROVISION PROGRAM

On October 26, 1999, the government announced $10 million in drought relief related to its budget of October 14. The funds were budgeted from the province's $20 million five-year Weather-Related Relief Program, which began April 1, 1999. About $4 million was allocated under the program for the 1999–2000 budget year. The additional $6 million was advanced from program funds reserved for subsequent years.

Accelerated Weather-Related Loss Provision Program allowed for benefits to be paid out over a shorter period of time to assist farmers who suffered additional adverse weather in 1999. In total $9,143,830 of benefits were paid out to 1,433 applicants. Program assistance on each of the components would be pro-rated if total demand for the program funds exceeded available budget allocations.

In addition funds in the amount of $930,000 were allocated to fund the provincial share of the Agricultural Income Disaster Assistance Program.

TABLE 1
NUMBER OF LOANS APPROVED BY COUNTY, 1999–2000

County	#	Value (in thousands)
Annapolis	14	$1,756
Antigonish	15	$1,539
Cape Breton	5	$368
Colchester	26	$3,287
Cumberland	28	$2,960
Digby	2	$266
Guysborough	2	$222
Halifax	8	$434
Hants	15	$3,055
Inverness	5	$513
Kings	39	$5,916
Lunenburg	5	$451
Pictou	14	$1,471
Queen	—	—
Richmond	—	—
Shelburne	—	—
Victoria	1	$231
Yarmouth	—	—
Total Loans	179	$22,469
Timber Loan Board	2	$118
Total Loan Activity,Timber Loan Board	181	$22,587

TABLE 2
NO. OF LOANS APPROVED, BY PURPOSE
1999–2000

		Value (in thousands)
Number of New Loans	122	$14,183
Number of Account Rollovers	25	$2,172
Combination	32	$6,114
Total Approved	179	$22,469
Number of Timber Loans	2	$118

Commodity	Number	Total	% of Total
Beef	27	$ 2,126	9
Berry Crops	20	1,401	6
Dairy	48	9,608	43
Fruit	5	340	2
Greenhouse	11	1,474	7
Hog	14	1,624	7
Poultry	11	2,356	10
Sheep	4	183	1
Vegetable	12	1,103	5
Other	27	2,254	10
Total	179	$22,469	100.00
Timber Loan	2	118	
Grand Total	181	$22,587	

TABLE 3
ACCOUNTS AND LOAN PRINCIPAL

	1999–2000		1998–99	
	#	Amount (in thousands)	#	Amount (in thousands)
Farm Loan Accounts	1,131	$154,704	1,088	$150,694
Timber Loan Accounts	18	1,664	20	1,845
Land Bank Accounts	101	2,344	120	2,916
ARDA Accounts	16	52	31	67
Real Estate Accounts	24	2,211	30	2,232
Total	1,290	$160,975	1,289	$157,754
Provision for Credit Losses		6,431		6,593
Net Principal Receivable		$154,544		$151,161

TABLE 4
OTHER INFORMATION

	1999–2000		1998–99	
	#	Amount (in thousands)	#	Amount (in thousands)
Total Value of Life Insurance		$139,375		$137,421
Establishment of Young Farmers				
Farm Loan Board	1	$7	15	$97
Farm Credit Corporation			1	5
Total	1	$7	16	$102

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
FINANCIAL STATEMENTS
MARCH 31, 2000

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AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and
To the Chair and Members of the Nova Scotia Farm Loan Board

I have audited the statement of financial position of the Nova Scotia Farm Loan Board as at March 31, 2000 and the statements of revenues and expenditures and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2000 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 8, 2000

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2000

Assets

	2000	1999 Restated (note 2)
	(in thousands)	
Accounts receivable	$ 4,574	$ 4,329
Due from Department of Finance	1,587	1,128
Loans receivable (Note 3, Schedule 1)	150,922	146,788
Real estate (Note 4)	3,622	4,373
	$160,705	$156,618

Liabilities and Retained Earnings

Insurance reserve (Note 5)	$ 2,673	$ 2,380
Advance from Department of Finance (Note 2)	157,380	154,045
Retained earnings (Note 6))	652	193
	$160,705	$156,618

Commitments (Note 7)

APPROVED ON BEHALF OF THE BOARD

Leo J Cox
Chair

Don Sprowle
Member

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2000

Revenues

	2000	1999
	(in thousands)	
Interest revenue	$ 12,048	$ 11,733
Demutualization proceeds (Note 5)	523	-
Fee revenue	334	179
Other revenue	115	14
	13,020	11,926

Expenses

Interest expense (Note 2)	10,344	10,867
Operating expenses (Note 8)	911	821
Bad debt expense	381	96
	11,636	11,784
Income before Government contributions	1,384	142
Government contributions	911	821
Net Income	$ 2,295	$ 963

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2000

	2000	1999
	(in thousands)	
Retained earnings, beginning of year (Note 6)	$ 193	$ -
Net Income	2,295	963
Distribution to Department of Finance	(1,836)	(770)
Retained earnings, end of year	652	193

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2000

1. Authority

The Nova Scotia Farm Loan Board operates under the authority of the Agricultural and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. Previous financial statements did not include interest and lease revenues, administration expenses, interest costs attributed to advances from the Department of Finance, as well as accrued interest receivable. These amounts were recorded in the accounts of other government departments which assumed the cost or received the revenue on behalf of the Board. As a result of this change in accounting policy, these statements now include a statement of revenues and expenditures and a statement of retained earnings. Further, prior year's comparative figures on the statement of financial position have been restated to adjust for the effect of the change in accounting policy.

The following are other significant accounting policies used in the preparation of these financial statements.

a) Interest Expense
Loans provided by the Board are funded through quarterly advances from the Department of Finance. Advances are based on the Board's estimated requirement for the forthcoming quarter. Interest expense is calculated in accordance with the terms of a Memorandum of Understanding between the Board and the Department of Finance, based on the Department's cost of borrowing the Funds advanced.

b) Allowance for Doubtful Accounts
The Board provides for possible losses on authorized loans receivable and other assets on an item by item basis. In addition, a general reserve is provided on all assets except real estate.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2000

3. Loans Receivable

	2000	1999
	(in thousands)	
Farm loans	$ 154,704	$ 150,694
Timber loans	1,664	1,845
	156,368	152,539
Less: Allowance for doubtful accounts	5,446	5,751
	$ 150,922	$ 146,788

4. Real Estate—at lower of cost and net realizable value

	1999	1998
	(in thousands)	
Real estate being leased or held	$ 1,856	$ 1,462
Land bank	2,344	2,916
Land consolidation Agricultural Rural Development Agreement (ARDA)	103	163
Less: Federal Government share of cost of ARDA properties	(51)	(96)
Held for Department of Agriculture and Marketing	355	770
	4,607	5,215
Less: Allowance for doubtful recoveries	985	842
	$ 3,622	$ 4,373

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2000

5. Insurance Reserve

		2000	1999
		(in thousands)	
Balance, beginning of year		$ 2,380	$ 2,098
Add:	Demutualization proceeds	112	-
	Premiums collected	352	337
	Increase in reserve held by carrier	331	425
		795	762
Deduct:	Premiums paid to carrier	423	407
	Administration fees	79	73
		502	480
Balance, end of year		$ 2,673	$ 2,380

The Board requires borrowers to participate in a group life insurance program administered by the Board. The carrier of the insurance will pay claims up to 100% and above 125% of premiums received from borrowers during the year. The insurance reserve will be used to fund the portion of claims that fall between these two limits. In addition, the Board may use the reserve to maintain or reduce future premiums charged to borrowers under the policy and pay for professional services related to the program.

Of the total reserve, $936,000 (1999 - $936,000) is held by the Department of Finance, and is included on the statement of financial position in the amount due from the Department of Finance. The remaining $1,737,000 (1999 - $1,444,000) is held by the carrier of the insurance plan, and is included in the accounts receivable of the Board. Interest is paid by the insurance plan carrier on an annual basis for certain funds and on a daily basis for other funds, and the interest rates used are set at the beginning of each policy year. The funds held by the Department of Finance bear no interest.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2000

During the year ended March 31, 2000 the carrier of the insurance plan underwent a process of demutualization. As a result, the Board received $635,000. Of this amount, $112,000 was added to the insurance reserve, and $523,000 was included in the general revenues of the Board.

6. Retained Earnings

A Memorandum of Understanding dated March 16, 1999 between the Nova Scotia Farm Loan Board and the Department of Finance enables the Board to retain 20% of its net income for future use. The agreement took affect as of April 1, 1998. Previously, all net income of the Board was transferred to the Department of Finance. Net income retained is included on the statement of financial position in the amount due from the Department of Finance, and cannot be expended without the consent of the Department.

7. Commitments

As at March 31, 2000, the Board had authorized loans of $3,560,760 (1999—$6,266,945) which had not been disbursed.

8. Operating Expenses

	2000	1999
	(in thousands)	
Salaries and benefits	$ 773	$ 662
Supplies and services	44	65
Travel	39	47
Training and development	22	6
Professional services	18	24
Other	15	17
	$ 911	$ 821

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2000

9. Loss Provision Program

The Department of Agriculture and Marketing administers a program that aids farmers having difficulty meeting financial obligations due to hardship caused by unfavourable weather conditions. The program assists farmers with interest and/or principal payments on loans they have with a recognized public-sector or private-sector lending agency. During the year ended March 31, 2000 the program paid $9,143,830 to or on behalf of farmers, $1,568,935 of which was applied against loans held by the Nova Scotia Farm Loan Board.

10. Public Service Superannuation Fund

All full time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Board is not responsible for any unfunded liability.

SCHEDULE 1
PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
CONTINUITY OF LOANS RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2000

	1999	1998
	(in thousands)	
Loans receivable		
Balance, beginning of year	$152,539	$138,069
Add: Advances made		
Farm loans	18,571	30,995
Timber loans	2	454
	18,573	31,449
Deduct: Payments received		
Farm loans	13,929	16,079
Timber loans	183	217
Net transfers to real estate	632	683
	14,744	16,979
Balance, end of year	156,368	152,539
Allowance for doubtful accounts	5,446	5,751
Loans receivable, net of allowance	$150,922	$146,788